

CHAPTER VI

FINANCIAL MANAGEMENT

Perhaps the most important element of CDBG administration is financial management. Without adequate books, record keeping, and reporting systems, even the best program may face an adverse audit. Financial Management of Neighborhood Development projects should be structured differently than that of CDBG projects described in the General Administrative Manual. Neighborhood Development projects differ in terms of the number of different activities that occur and the large number of contracts needed to complete each project. Contractors in neighborhood development projects generally do not have the financial strength to complete more than one house with their personal funds; therefore, CDBG funds need to be available when a house is completed. Please note that this Chapter replaces the financial Chapter in the general administrative manual for neighborhood development projects.

Financial Management Standards

The basic standards and requirements governing the financial management of CDBG projects consist of those found in:

- 1) 24 CFR 85, "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federal by Recognized Indian Tribal Governments," as modified by 24 CFR 570, Subpart J, "Grant Administration";
- 2) OMB Circular A-87 "Cost Principles for State and Local Governments";
- 3) CDBG Management Handbook - Procedures for State and Local Governments for grant payments, program monitoring, reporting, and program execution.

In some cases, DED has modified requirements of (1) and (2) above. The rules outlined in this manual shall be given preference in such cases.

Areas of Financial Management

This chapter outlines the basic procedures and forms necessary to comply with CDBG standards in four areas of financial management. These areas cover:

- 1) Grant payment procedures;
- 2) Establishing and maintaining the CDBG accounting system;
- 3) Identifying and using program income; and
- 4) Reporting grant financial activity to DED.

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Examples of financial management procedures and forms pertaining to these areas are presented where appropriate.

GRANT PAYMENT

Five steps must be completed before grant recipients can receive any CDBG monies:

- 1) Executing the grant agreement
- 2) Submitting an Authorized Signature Form to DED
- 3) Submitting a Designation of Depository Form to DED
- 4) Submitting an Automated Clearing House (ACH) application
- 5) Sending the first Request for Funds Form (RFF) to DED

1) Executing the Grant Agreement

Execution of the grant agreement is complete only after the grant agreement has been signed by the grantee and by the Director of the Department of Economic Development (DED). Generally, the process of executing the grant agreement occurs in the following way:

- a) After reviewing and approving the grant application, DED notifies the applicant that the proposed project has been selected for funding and that a contract agreement will be mailed;
- b) DED then prepares a contract agreement and forwards copies to the applicant;
- c) The applicant executes the agreement by signing, attesting, and stamping it with the official seal of the community;
- d) The applicant returns all copies to DED;
- e) The copies are then signed and approved by the Director of DED;
- f) A copy of the fully executed grant agreement is mailed to the applicant and now, grantee.

Aside from formalizing the acceptance of the CDBG award, the execution of the grant agreement serves at least two other purposes. One, it acknowledges that the recipient accepts and will comply with all Federal and State requirements governing the administration of the grant; and two, it sets out the terms and conditions of the award that must be satisfied before funds will be released for certain activities.

Costs for exempt project activities can be incurred only after the date of the grant agreement. Costs for project activities that are subject to specific contract conditions (e.g., housing rehabilitation) can be incurred only after execution of the agreement and the removal of the grant conditions. See Notice of Removal of Grant Conditions under Environmental Review in the CDBG Administrative Manual. Costs for housing inspection can only be incurred after DED's approval of the grantee's housing inspector. Housing rehabilitation activities can be initiated and incurred only after DED's receipt of the SHPO clearance letter from DNR's office of Historic Preservation and the completion of our environmental review process.

2) Completing and Submitting Authorized Signature Form (SFM-01)

Grant recipients must prepare and submit to DED the Authorized Signatures form (SFM01). The SFM01 form is included in this chapter. This form designates the two to four local officials who will be authorized by the grantee to sign the Requests for Funds Form (RFF). Persons signing the Signature Form must be city or county officials and/or their employees. The names and titles of these persons must be typed on the Signature Form and signed by each person **exactly** as their name appears in typed form. Another independent local official must then certify that the individuals listed at the top of the form are authorized to co-sign RFFs by signing on the bottom portion of the form. The certifying official **must be the highest-ranking elected official whose name is not listed as a co-signer on the Signature Form**. The certifying official cannot sign RFFs submitted to DED. Administrators who are not city or county officials and/or city employees are not permitted to sign the Signature Form. (Note: Per Sections 54.100 and 95.060 RSMO 1978, county and city treasurers will control the receipt of county or city monies and should disburse the same).

Two original copies of the completed Signature Form with original signatures, free of erasures and corrections, must be sent to DED. A third copy should be placed in the grantee's project files. New signature forms must be resubmitted if: (1) Less than two signatures remain with authority to submit RFFs; or (2) A separate DED award is made to the same recipient in a subsequent year.

3) Completing and Submitting Designation of Depository Form (SFM02)

Grant recipients must also notify DED where grant payments are to be deposited. This requires that recipients submit information about the account to DED on the Designation of Depository form. **The state will only transfer funds (from any/all state sources, including CDBG) to one account per entity.** *Example: the city of Anytown currently receives sales tax from the state, and has been awarded CDBG funds. The state will deposit the sales tax funds and the CDBG funds into the same account.* The grantee must designate, on the SFM02 form, the account into which CDBG will transfer the funds. However, the CDBG Program requires that the CDBG funds be kept in a separate, non-interest bearing account. Therefore, the funds should be transferred, from the account into which they are deposited, to the CDBG account immediately upon receipt. The state will deposit CDBG funds into the separate CDBG account; however, the grantee should keep in mind that all other state funds received will be deposited into that account as well. In short, be advised that the state will only transfer funds to **one** account, and it is up to the grantee to designate that account.

The bank account must be a separate, non-interest bearing account in an FDIC or equivalent insured institution. All checks issued on this bank account are required to have two signatures.

The Designation of Depository form consists of two sections, one to be completed and signed by the CDBG recipient and the other by the bank. The bank certifies that the account is non-interest bearing. The bank indicates how CDBG deposits are insured.

According to Section 110.010, RSMO 1978, ". . . all public funds in banking institutions shall be secured by the deposit of securities. . . ." The statute further states that "the value of

securities deposited and maintained by a legal depository under Section 110.010 shall at all times be not less than one hundred percent of the actual amount of the funds on deposit with the depository, less the amount, if any, insured by the Federal Deposit Insurance Corporation." All recipients should obtain a pledge of collateral security from the participating bank for coverage of all amounts of CDBG funds over FDIC coverage. This will be monitored for during the grant period. Two original copies of the completed depository form with original signatures must be sent to DED. The recipient should retain a third copy for their project files.

4) Automated Clearing House Application (ACH)

All CDBG funds must be disbursed via Automatic Clearinghouse. The ACH form (included in this chapter) must be submitted for this purpose. The form must have the CDBG account number and the routing number of the bank. Be sure that the account number is the same as the account number on the Designation of Depository Form (SFM02). The mayor/presiding commissioner should sign the form. **Leave the space for the vendor number blank.** This is something that we assign.

The next pages are samples of the following:

- CDBG Funding Approval
- CDBG Grant Agreement
- Authorized Signature Form (SFM01)
- Designation of Depository Form (SFM02)
- Automated Clearinghouse Application (ACH)



Under Title 1 of the Housing and Community Development Act of 1974 (Public Law 93-383) as amended.

1. NAME AND ADDRESS OF GRANTEE					10. PROJECT DESCRIPTION (indicate specific scope of each activity regardless of funding source)			
2. PROJECT NUMBER		3. SEN. DIST. REP. DIST.						
4. POPULATION		5. NO. OF BENEFICIARIES						
6. GRANT AWARD DATE		7. GRANTEE FYE DATE						
8. MAXIMUM GRANT AMOUNT AWARDED								
9. APPROVED ACTIVITIES, COSTS, AND FUNDING STRATEGY					NATIONAL OBJECTIVE:			
					LMI PERSONS: LMI FAMILIES:			
PROGRAM ACTIVITY	ACT NO.	REQ. ENV. REL.(1)	TOTAL	CDBG FUNDS (2)	MATCHING FUNDS			
					RECIPIENT CASH	OTHER IN-KIND	PRIVATE	STATE/FED
<i>Davis Bacon applies where specified by the initials DB</i>								
TOTAL								
(1) Funds for activities that are conditioned subject to an environmental release may not be incurred or obligated until a written "Notice of Removal of Grant Conditions" is issued by DED.								
(2) This column represents the maximum amount of CDBG funds approved for each activity, except that the grantee may transfer funds between activities, in an amount not to exceed \$10,000 of the total CDBG allocation or 10%, whichever is less, except that administration, audit, and engineering costs may not exceed the indicated totals.								
PREPARED BY					DATE			



SAMPLE GRANT AGREEMENT BETWEEN DED AND COMMUNITY
(DED Form GA-2003)
STATE OF MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

This grant agreement is made by and between the State of Missouri, Department of Economic Development (DED), herein called "the State" or "DED", and the City/County of _____ herein called the "Grantee", pursuant to the authority of Title I of the Housing and Community Development Act of 1974 (Public Law 93-383), as amended, herein referred to as "The Act" and commonly referred to as the Community Development Block Grant Program (CDBG). The Grantee's submissions (including "Assurances") for CDBG assistance, Department of Housing and Urban Development (HUD) regulations at 24 CFR Part 570, the State's FY-2003 "Consolidated Plan", the State's FY-2003 CDBG Administrative Manual and the State's FY-2003 CDBG Program Guidelines (as now in effect and as may be amended from time to time), which are incorporated by reference, together with the DED Funding Approval form, and any special conditions, which are hereto attached, constitute part of this Agreement.

In reliance upon and in consideration of the mutual representations and obligations hereunder, the State and the Grantee agree as follows:

- 1) Subject to the provisions of this Grant Agreement, the State will make the funding assistance for Federal fiscal year 2003 specified in the attached DED Funding Approval form available to the Grantee upon execution of the Agreement by the parties. The obligation and utilization of the funding assistance provided is subject to the requirements for a release of funds by the State under the Environmental Review Procedures at 24 CFR Part 58 for any activities requiring such release.
- 2) The Grantee agrees to assume all of the responsibilities for environmental review, decision making and actions, as specified and required in Section 104(g) of the Act and published in 24 CFR Part 58.
- 3) The Grantee agrees to comply with all applicable requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601), Sections 104(d), 104(k) and 105(a)(11) of the Act.
- 4) The grantee agrees to comply with the lead-based paint hazard control laws and regulations specified in Title X of the Housing and Community Development Act of 1992, implementing regulations at 24 CFR Part 35, State statutes governing the licensing and conduct of persons addressing lead paint at Sections 701.300 – 324 of RSMO and implementing Work Practice Standards at 19 CSR 30-70; and compliance with OSHA regulations at 29 CFR 1926.
- 5) The Grantee agrees to accept responsibility for adherence to this Agreement by subrecipient entities to which it makes funding assistance available.
- 6) The Grantee agrees that any and all such amount of local funds or in-kind (force account) services or materials indicated in the attached Funding Approval form shall be equal to or greater than the amount indicated.
- 7) The Grantee agrees that any proposed construction-related activity budget variances (from the Funding Approval form) in excess of 10% of the amount of this Agreement or \$10,000 (whichever is a lesser amount) shall be approved by DED in writing prior to an obligation of funds for such activity; however, any variance shall be approved by the Grantee's governing body in advance of an obligation of such activity. No variance is allowed for non-construction activities such as administration, engineering, audit, and inspection, unless approved by DED.
- 8) The Grantee agrees to complete the project in its entirety as indicated in the Funding Approval form unless amended in writing by agreement of all parties.

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- 9) The Grantee agrees to comply with all requirements imposed by the State concerning special requirements of law, program requirements, and other administrative requirements, including, but not limited to, the requirement that a grant recipient must repay to the State, upon sale of the CDBG-funded real property to a non-eligible entity, a pro-rata portion of the proceeds of the sale, as set forth in the CDBG Administrative Manual.
- 10) The Grantee agrees that any CDBG funds remaining from the allocation indicated in the Funding Approval form after the project has been completed shall be returned to DED if they have been drawn to the Grantee's local depository, or cancelled if such funds have not been drawn.
- 11) The Grantee agrees to comply with OMB Circular A-133, which governs the auditing requirements of these grant monies in accordance with the Single Audit Act of 1984 (amended 1996) and to provide DED with all required audits. The CFDA # is 14.228.
- 12) The Grantee agrees that State and HUD officials shall have full access to any documents or materials relating to this Agreement at any reasonable time.
- 13) The Grantee agrees that all funds received under this Agreement shall be held and used by the Grantee for the purpose of accomplishing the project only and none of the funds so held or received shall be diverted to any other use or purpose.
- 14) The Grantee agrees that any material prepared by the Grantee or persons or firms employed or contracted by the Grantee shall not be subject to copyright, and the State shall have the unrestricted authority to publish, disclose, distribute or otherwise use, in whole or in part, any reports, data or other material prepared under this agreement.
- 15) The Grantee agrees to comply with the terms of the DED conflict of interest policy.
- 16) The Grantee agrees that any approval of contracts, sub-contracts, material or service orders, or any other obligation by the Grantee or its agents shall not be deemed an obligation by the State, and the State shall not be responsible for fulfillment of the Grantee's obligations.
- 17) The Grantee agrees to comply with the citizen participation requirements set out in Section 104(a) of the Act, including the State's written Citizens Participation Plan in accordance with Section 508 of the Housing and Community Development Act of 1987.
- 18) The Grantee agrees to adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 519 of Public Law 101-144 and also agrees to enforce applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction.
- 19) Any Grantee receiving over \$100,000 in CDBG funds agrees to carry out the terms of the "Certification Regarding Government-Wide Restriction on Lobbying" attached hereto and made a part hereof by signing same.
- 20) The Grantee agrees to comply with the policies and procedures set forth in Executive Order 96-03 for the protection of Missouri's wetlands.
- 21) The Grantee agrees to obtain and comply with all relevant state and/or federal permits and licenses related to construction and operation of any development activity funded with CDBG. The Grantee agrees and understands that copies of those permits and licenses shall be made available to CDBG, DED, or HUD at request. The Grantee acknowledges that a lack of any such applicable permit or license may restrict access by the Grantee to the grant funds made available by this Agreement.
- 22) In the event that the State or an audit has determined that the Grantee has failed to comply with this Agreement, the Grantee shall perform remedial actions to correct the deficiency, as determined by the State, which may include:
 - a) Repayment or reimbursement of CDBG funds spent inappropriately to the State or the local CDBG fund (at DED's discretion);

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MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

AUTHORIZED SIGNATURES FOR CDBG REQUESTS FOR FUNDS (SFM01)

NAME OF RECIPIENT		PROJECT #	
PERIOD OF CONTRACT	TO	RECIPIENT FISCAL YEAR END DATE	CONTRACT #
THE INDIVIDUALS NAMED BELOW ARE AUTHORIZED TO SIGN ALL REQUESTS FOR FUNDS (RFF) DOCUMENTS.			
TYPED NAME	TITLE	SIGNATURE EXACTLY AS IT APPEARS IN TYPED FORM	
CERTIFICATION: I certify that the above signatures are of the individuals authorized to co-sign requests for funds. (Note: This person must be the highest ranking elected official whose name is not listed above.)			
TYPED NAME:	TITLE	SIGNATURE	TELEPHONE () DATE
ADMINISTRATIVE CONTRACTS:		ACCOUNTING SYSTEM USED: <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> CDBG <input type="checkbox"/> OWN </div>	
PROJECT ADMINISTRATOR: (person responsible for over-all supervision of the CDBG grant)			
TYPED NAME	TELEPHONE ()		
ADDRESS	CITY	ZIP CODE	FEDERAL EMPLOYER ID #:
FINANCIAL ASSISTANT: (person responsible for submitting requests for funds)			
TYPED NAME	TELEPHONE ()		
ADDRESS	CITY	ZIP CODE	STATE USE ONLY <div style="display: flex; justify-content: space-around;"> FIELD STAFF FISCAL </div>
NOTE: Recipient should retain one copy and send two originally signed copies free of erasures or corrections to DED.			

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MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

DESIGNATION OF DEPOSITORY: DIRECT DEPOSIT (SFM02)

			PROJECT NO.	CONTRACT NO.
SECTION 1: DESIGNATION			SECTION 2: CERTIFICATION BY DEPOSITORY	
RECIPIENT			<p>The account identified in Section 1 has been established with this bank. It is a non-interest bearing account. All necessary documentation, including a power of attorney where necessary, which will enable this bank to receive CDBG funds directly from the State of Missouri to _____ without any endorsement by the payee, has been received and is in this depository's custody.</p> <p style="text-align: center;">Account No.</p> <p>This depository's deposits are insured by _____ appropriate collateral will be pledged by this bank any time that the depositor's balance exceeds this insurance limit.</p> <p>Immediately upon deposit of CDBG funds, we will notify the recipient and, subsequently, provided a copy of the check and documentation of deposit. Monthly statements and copies of all checks will be provided to the recipient.</p>	
ADDRESS				
CITY	STATE	ZIP CODE		
An account for the direct deposit of CDBG funds has been established at the following bank:				
BANK NAME				
ADDRESS			AUTHORIZED BANK OFFICER'S TYPED NAME DATE	
CITY STATE ZIP CODE			SIGNATURE OF AUTHORIZED BANK OFFICER	
The account number to which all CDBG checks will be deposited is:			SECTION 3: DED PROCESSING	
ACCOUNT NO.				
I certify that this is a non-interest bearing account, which shall be maintained on a basis consistent with Treasury Circular 1075.			FIELD STAFF	FISCAL
GRANTEE CHIEF EXECUTIVE'S TYPED NAME DATE			DATE RECEIVED	DATE RECEIVED
SIGNATURE OF GRANTEE CHIEF EXECUTIVE			CDBG APPROVAL INITIALS	FISCAL APPROVAL INITIALS
NOTE: RECIPIENT SHOULD RETAIN ONE COPY AND SEND TWO SIGNED COPIES FREE OF ERASURES OR CORRECTIONS TO DED.				

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STATE OF MISSOURI
OFFICE OF ADMINISTRATION
VENDOR ACH/EFT APPLICATION

SECTION A: TO BE COMPLETED BY SUBMITTING VENDOR (INCLUDING STATE EMPLOYEE) INSTRUCTIONS ON REVERSE SIDE

DESCRIPTION <input type="checkbox"/> NEW <input type="checkbox"/> CHANGE <input type="checkbox"/> CANCEL		
TAXPAYER ID TYPE (CHECK ONE) <input type="checkbox"/> 1 = FED BUS ID <input type="checkbox"/> 2 = SSN	TAXPAYER ID NUMBER	VENDOR NUMBER (11 DIGITS)
VENDOR NAME (30 CHARACTERS MAXIMUM)		LEGAL NAME OF ENTITY OR INDIVIDUAL (30 CHARACTERS MAXIMUM)
ADDRESS		TELEPHONE NUMBER WITH AREA CODE
CITY	STATE	ZIP CODE

SECTION B: TO BE COMPLETED BY STATE EMPLOYEE ONLY (OTHER VENDOR SKIP THIS SECTION)

HOME ADDRESS		HOME PHONE NUMBER
CITY	STATE	ZIP CODE

SECTION C: TO BE COMPLETED BY SUBMITTING VENDOR (INCLUDING STATE EMPLOYEE)

FINANCIAL INSTITUTION NAME	IF CHANGE PLEASE INDICATE PREVIOUS FINANCIAL INSTITUTION NAME	
FINANCIAL INSTITUTION ADDRESS	FINANCIAL INSTITUTION TELEPHONE NUMBER	
CITY	STATE	ZIP CODE
DEPOSITOR ROUTING NUMBER	IF CHANGE PLEASE INDICATE PREVIOUS ROUTING NUMBER	
DEPOSITOR ACCOUNT NUMBER	IF CHANGE PLEASE INDICATE PREVIOUS ACCOUNT NUMBER	
DEPOSITOR ACCOUNT TYPE (CHECK ONE) <input type="checkbox"/> SAVINGS <input type="checkbox"/> CHECKING		

SECTION D: FINANCIAL INSTITUTION CERTIFICATION

I certify that the above Depositor Routing Number and Depositor Account Number to be true and accurate for the Vendor.

FINANCIAL INSTITUTION NAME	AUTHORIZED SIGNATURE	DATE
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SECTION E: VENDOR AUTHORIZATION

☐ I (we) hereby authorize the State of Missouri, to initiate credit entries to my (our) account indicated above at the depository financial institution named above, and to credit the same such account. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

This authorization is to remain in full force and effect until the State of Missouri, Office of Administration has received written notification from me (or either of us) of its termination in such time and in such manner as to afford the State of Missouri and the financial institution a reasonable opportunity to act on it.

☐ I (we) hereby cancel my/our ACH/EFT authorization.

AUTHORIZED VENDOR REPRESENTATIVE OR STATE EMPLOYEE SIGNATURE	DATE
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SECTION F: STATE AGENCY USE ONLY

I have reviewed the Vendor information for completeness and accuracy

AUTHORIZED AGENCY SIGNATURE	DATE	TELEPHONE NUMBER
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SECTION G: OFFICE OF ADMINISTRATION USE ONLY

I have reviewed and entered the above information

SIGNATURE	DATE	VERIFICATION SIGNATURE	DATE
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5) Request For Funds (RFF)

After DED receipt and approval of the above items, CDBG recipients are permitted to submit a Request for Funds Form (RFF). Please note the following items regarding an RFF:

- a) Removal of Grant Conditions: Requisitions are limited to funds for exempt activities (e.g., planning, audit, administration, and engineering design) until the Environmental process is complete and a Notice of Removal of Grant Conditions has been issued (See Environmental section of the general administrative manual).
- b) Minimum Drawdown: The minimum amount that may be requested is \$1,000. Recipients will be limited to submitting no more than two RFFs per month.
- c) All RFF forms should be numbered sequentially and maintained as part of the financial management file. No erasures or corrections will be accepted on any of the forms submitted.
- d) Signatures: Two signatures are required on each RFF. Persons co-signing the RFF must be listed as authorized to sign on the Signature Form. Signatures must be signed exactly as they appeared in typed form on the Signature Form. Officials should never pre-sign blank RFFs.
- e) Housing Tracking Form: The state CDBG program has devised a financial tracking form that must be submitted with each RFF for each rehabilitation or demolition property for which funds are being drawn. The purpose of the form is to help both the grantee and the CDBG staff ensure that state rehabilitation and lead cost limits are not exceeded. Please to pages 110 and 111 for a blank tracking form and instructions on how to use it.
- f) Cash Balance Requirements: Grantees are not allowed to keep a cash balance in excess of \$1,000 for more than five days. With the "five-day rule," recipients should request funds to meet actual current cash requirements. Also, local and private matching funds should not be deposited in the same checking account as CDBG funds. Please note specific information regarding housing rehabilitation contractor payments below.

Housing Rehabilitation Contractor Payments: Grantees have the discretion to follow one of two procedures to ensure the timely payment of rehabilitation contractors. One procedure must be selected and be consistently followed until the project is closed.

- (1) Follow the preferred process of paying a contractor after the work has been completed and inspected by the grantee. The grantee must receive all lien waivers. Then, the grantee may formally approved and pay the contractor 's pay request; or,
- (2) Grantees may draw a percentage of funds based on the inspector's and contractor's agreed upon work completion date. This will allow the grantee to draw funds to pay a contractor in advance of the completion of the work by the contractor. This will allow the grantee to have CDBG funds available to pay the rehab contractor in a timely manner.

We recommend that grantees make their pay estimate based on: either 100% completion; or, at 50% and 100% completion. In both payment schemes, the grantee must keep a 10% retainage for 30-days after payment is made to the contractor.

Grantees must plan submission of the RFF for seven to ten days in advance of the agreed upon work completion date in order to ensure timely payment.

For example:

- (1) The inspector and contractor agree that work will begin on October 6th and that the contractor will complete 50% of the rehab work on Friday, October 22nd.
 - (2) On Friday, October 8, the grantee submits RFF2, with a tracking form, to CDBG for the amount of the 50% payment to the contractor. CDBG should receive the RFF by Wednesday, October 13. CDBG will begin processing RFF2 on October 13 and the CDBG funds should be wired to the grantees bank account by Thursday, October 21st. (These dates are approximate and are based on our intent to have the funds wired to the grantee's CDBG account within 5-7 working days of receipt of the RFF.)
 - (3) The grantee and inspector review the completed rehab work on Friday, October 22 and determines that 50% of the work was satisfactorily completed. The contractor's pay request is then processed at city hall, and the grantee writes a check to the contractor for 50% of the contract amount.
 - (4) If the rehab work is not satisfactorily completed by the contractor, the contractor may agree to a new completion date with the grantee and inspector. The grantee may extend the completion date for a reasonable period not to exceed seven to ten days. In this example, the grantee may extend the completion date to October 29. If the rehab work is still not completed after the extension expires, then the grantee must send the CDBG funds back to our office. Those CDBG funds may not be used to pay other project obligations.
- g) Escrow Accounts: Recipients are permitted to establish escrow accounts to facilitate payments to small contractors in a housing rehabilitation program. **Amounts deposited in an escrow account must include funds from the housing rehabilitation line item only. Only the amount of a contractor's pay request, approved by the grantee, may be deposited in the account.** Amounts held in the escrow account must not exceed 10-days. **HUD requires the escrow account to be interest bearing.** The interest earned can be used to pay administrative costs, however, interest in excess of \$100 earned in a calendar year must be returned to DED. Please note, private funds may also be deposited into the escrow account, but should be accounted for separately (See financial management system section).
- ★ **Best Practice:** Establishing and maintaining an escrow account can create additional complexity to your accounting system. If the grantee is large enough to cover rehabilitation costs with its own funds and then be reimbursed by the CDBG program, all parties generally benefit. Grantees wishing to use this method should contact their auditor or city financial officer to determine if this is allowed under the city's local financial management practices. Smaller grantees may wish to set up an escrow

account using non-CDBG or City sources of funds and then repay this account with CDBG funds at a later date. This would depend on the availability of local private sources to support the liquidity of the city's CDBG housing rehabilitation program.

- h) Transfers Between Line Items (10% rule): Funds may not be transferred between activity line items which exceed 10% of the total grant award or \$10,000, whichever is less, without prior approval by DED through the grant amendment process. No monies may be transferred into administration, engineering (design and inspection), other professional services, housing inspection, lead hazard evaluation or legal, line items without prior approval from DED through the grant amendment process. Unless amended, line item expenditures should reflect actual amounts spent.
- i) Administrative Funds Drawn: For housing activities, the maximum allowable drawdown for administration funds is as follows:

HOUSING MAXIMUMS:

- Up to 25% until removal of grant conditions. No more than 25% of the administration funds may be drawn until 3 homes have been completed.
- 25% to 50% after the completion of three houses.
- 51% - 75% after the completion of 50% of the housing objectives as stated in the grantee's funding approval.
- 76% - 90% after completion of 75% of the housing objectives as stated in the grantee's funding approval.
- 90% - 100% after the completion of all final closeout paperwork, with the possible exception of the audit.

For public facility activities, the maximum allowable drawdown for administration funds is as follows:

- 50% upon approval of first contractor's payroll (for force account work, this will be after first drawdown for labor; for in-kind labor, this will be after first draw for materials);
- 75% upon 50% construction draw;

For all activities:

- 25% upon removal of grant conditions
- 90% prior to final paperwork;
- 100% after completion of all final paperwork with possible exception of audit.

- j) Housing Inspection Draws: Requests for Housing Rehabilitation Inspection funds will not be approved unless the grantee's inspector has been approved in accordance with the approval procedure in Chapter VIII of this manual.
- k) Lead Hazard Evaluation Draws: Requests for lead hazard evaluation will not be approved unless the grantee has a risk assessor licensed by the Missouri Department of Health.
- l) Housing Rehabilitation Draws: Under "PAYEE/ details", please indicate the house address, household name, or house identifying number when funds are being drawn. Also, provide the name of the contractor or material supplier. NOTE: Housing rehabilitation draws will not be approved unless the grantee has a rehabilitation inspector approved in accordance with the DED approval procedure in Chapter VIII of this manual.

STEPS SUMMARY

- 1) Execute grant agreement with DED
- 2) Prepare and submit the grantee's Fair Housing Ordinance and Excessive Force Resolution to DED
- 3) Complete SFMO1/Authorized Signature form and submit to DED.
- 4) Complete SFMO2/Designation of Depository form and submit to DED.
- 5) Complete ACH/Automatic Clearinghouse application, and attach voided check/deposit slip, and submit to DED.
- 6) Complete your housing rehabilitation inspector procurement and approval process
- 7) Submit initial Request for Funds Form (RFF) for exempt activity line items, if applicable
- 8) Complete environmental review for the project
- 9) Submit Request for Release of Funds and Certification to DED for approval
- 10) After receipt from DED of Notice of Removal of Grant Conditions, RFFs are submitted no more than twice a month in accordance with DED financial management policies
- 11) In completing the RFF, several things should be kept in mind. Section 1 (E), Section 2 (K), and the "Amount of this Request" space in the upper right hand corner should always be the same amount. Section 1 (A) and the "Total" line of section 3 should agree. Section 1 (B) must reflect actual cash on hand.

The following two pages contain a blank Request for Funds form. It is also available from the CDBG office in a fillable format. Submission of the form to the CDBG office must still be in hard copy format with the appropriate signatures. If you are interested in receiving an electronic version of this form, please contact CDBG at 573-761-3600.

2005 Neighborhood Development Administrative Manual
Financial Management

State Use Only	
Staff:	_____
Accounting:	_____
Check No:	_____
Check Date:	_____

Missouri Department of Economic Development
Community Development Block Grant Program
Request for Funds Form (RFF)

RFF#	_____
Date	_____
Amount of this request	_____
\$	_____

Name of Recipient: _____ Project # _____

Period of Contract: _____ to _____ Contract # _____

Instructions Submit the originally signed form to: CDBG Program, ATTN: RFF, Department of Economic Development PO Box 118, Jefferson City, MO 65102. The grantee must keep one copy for their files. The form must be typed and free of corrections. If an entry is an even dollar amount, include to the entry (example \$1203.00)

Section 1: Amount of Funds Requested

(A) payment due: _____
 (B) (less) cash on hand: _____
 (C) (less) amount of RFF due: _____
 (D) (plus) cash balance desired: _____
 (\$1,000 maximum)
 (E) amount of this request \$ _____ -

Section 2: Status of Funds

(F) CDBG grant award: _____
 (G) (plus) program income: _____
 (H) total funds (F+G) \$ _____ -
 (I) previous CDBG funds received: _____
 (J) RFF due: _____
 (K) amount of this request: _____
 (L) total (I+J+K): \$ _____ -
 (M) remaining CDBG funds (F-L) \$ _____ -

Note: Funds in excess of \$1,000 must be spent within 5 days or returned to DED. Make check Payable to State of Missouri.

Section 3: Identification of Program Costs

Identify all individual payments of \$1,000 or more. Individual payments less than \$1,000.00 may be totalled and entered on the Miscellaneous line. Attach an additional sheet if necessary.

PAYEE/details	PROGRAM ACTIVITIES (Taken from Grant Contract Agreement Appendix A/Funding Approval)	AMOUNT
Description	Number	
Miscellaneous (Total of payments under \$1,000 each)		
RFF Due		
Total (must equal Section I, Line A)		\$ _____ -

Section 4: Authorized Signatures

I hereby affirm that the information above is true and correct, and the funds requested will be used according to the conditions of the CDBG grant agreement with the State of Missouri.

Typed name: _____ Signature: _____ Date: _____
 Typed name: _____ Signature: _____ Date: _____

Only authorized persons may sign the RFF form, and they must do so in the same manner as the signature card.

Preparer: _____ Telephone No. _____

2005 Neighborhood Development Administrative Manual
Financial Management

Missouri Department of Economic Development
Community Development Block Grant Program
Budget Status Report

A. Name of Recipient	B. Project Number
Address (City, State, Zip)	

C: Statement of Program Costs

Program Activities (taken from Grant Contract Agreement, Appendix A/Funding Approval) <i>Description</i> (a) <i>Number</i>	Grant Award (b)	This Request (c)	Previous CDBG Funds Requested (d)	Remaining CDBG Funds b-(c+d) (e)
TOTALS	\$ -	\$ - ¹	\$ - ²	\$ - ³

1. Same as Section 2(K).
2. Same as Section 2, (I) and (J).
3. Same as Section 2, (M).

Housing Tracking Sheet Instructions

The following page contains a Housing Activity Tracking Sheet that must be submitted with each RFF when requesting funds for Neighborhood Development Housing projects. If you currently have a house under contract, you may continue to use the tracking form that you have in place for that house. For each additional housing unit, this form must be filled out and made a part of your housing file. This form will need to be updated and a copy submitted with each applicable request for funds. The following tips may help you in using this document:

- 1) There must be one tracking sheet for each house.
- 2) The original will stay in the project file.
- 3) The administrator will update the tracking sheet anytime there is activity on the house.
- 4) A copy of the applicable tracking sheet will be submitted with each RFF. For instance, if you are requesting rehabilitation funds for house #22 and termite inspection cost for house #24, you will submit an individual tracking sheet for both house #22 and House #24.
- 5) Identify on the RFF the house # or address that you are requesting funds for. It must match the tracking sheet that you have attached.

The maximum dollar amounts have been added to this form to assist you in making sure that you are not requesting above the maximum amount allowed. Doing so will hold up their request for funds processing.

Please remember that all lead-related construction costs, whether it is coincidental to rehab or lead reduction (abatement), must come out of the \$6,000 allowed for lead reduction. The risk assessor line item has its own \$600 maximum, and therefore is not include in the construction line item. Supportive Services also has its own line item and is not included in the construction cost. All other contracts must either come out of construction (\$15,000 maximum) or Lead/ADA Reduction (\$6,000 maximum). This tracking form is available in Microsoft Word by contacting Betty LeSeure at (573) 751-3600 or e-mailing her at betty.leseure@ded.mo.gov.

Housing Activity – Tracking Sheet

VI-21

ESTABLISHING AND MAINTAINING THE CDBG ACCOUNTING SYSTEM

The accounting system used by local government recipients of State CDBG funds must satisfy all of the unique requirements of CDBG. In particular, it must satisfy the standards governing a grantee's financial management system that are outlined in 24 CFR 85, subpart C. These standards require that the recipient's accounting system must:

- 1) provide for accurate, current and complete disclosure of the financial status of the CDBG project by eligible program activity;
- 2) be able to report accrual data required in reports submitted to DED;
- 3) have records that identify adequately the source and disposition of funds for project activities. Recipients must be able to trace every CDBG dollar received, and prove where it went and for what it was used - an audit trail must be established;
- 4) provide effective control over and accountability for CDBG funds, property and other assets;
- 5) be able to compare actual expenditures with budgeted amounts by program activities;
- 6) provide adequate procedures for minimizing the time elapsing between the deposit of funds in the CDBG bank account and their disbursement;
- 7) have accounting records that are supported by source documentation; and
- 8) be able to document sources of funding other than CDBG project funds.

Recipients may elect either to use their existing accounting system or to use the accounting system described in this chapter. If recipients elect to use their existing accounting system for the CDBG, then they must demonstrate to DED that the system satisfies CDBG standards and requirements and can provide the information described herein. If recipients elect to use the accounting system described below, they should not have any difficulty satisfying CDBG's financial management requirements and documenting their financial decisions related to their CDBG project. Space is provided on the Authorized Signature Form to indicate which accounting system will be used.

Accounting Records

The accounting records that must be maintained by Missouri's CDBG grant recipients are listed below. These accounting records or a copy of these records should be kept at City Hall. At a minimum, the following information must be generated in any accounting system utilized for a CDBG:

- 1) Transaction date, description, source document reference, and amounts.
- 2) Summary of receipts, (e.g. CDBG funds or program income).
- 3) Summary of disbursements by the activity line items designated in the funding approval

- 4) Summary of cash transactions.
- 5) All source documents should be maintained for future review.
- 6) If local and/or other agency funding are part of the funding agreement, then an accounting system (separate ledgers) should be maintained which provides information similar to items noted in (1) through (5) above.

One should keep in mind that the accounting records and procedures have been designed for non-accountants and specifically for use with CDBG projects. It is suggested that recipients go through the example of the CDBG accounting system included herein after they have reviewed the accounting requirements.

Document Coding

Transactions recorded in the accounting system must always be referenced to a source document, e.g. check number, RFF number, an amendment number, or the original contract budget award.

General Overall Cash Control Requirements

Information maintained in the Cash Control/Project Activity Ledger provides a means of:

- 1) Maintaining a record of CDBG funds to document that funds have been used to meet immediate needs;
- 2) Documenting compliance with the State's cash balance policy;
- 3) Recording the receipt of program income; and
- 4) Preparing the RFF form and other financial documents.
- 5) Preparing a closeout report, filling in the required project log sheet, and other reporting documents required by DED.
- 6) Ensuring the budgets for each activity are not exceeded and that enough sources of funds are available to meet cash needs.
- 7) Provide a means for reconciling cash transactions with bank statements to ensure accurate reporting on RFF forms and performance reporting documents.

Transactions should be posted in a timely manner in order to document that the recipient has controlled costs within the amount allocated for each of the approved activities.

Project Activity Ledger Sheets

For Neighborhood Development projects, each activity undertaken must have a separate ledger sheet. The activity line items are listed in the grantee's funding approval. Each project must have a separate ledger sheet, column or row for the following:

- Administration Activity

- Housing Inspection Activity
- Lead Hazard Evaluation Activity
- Each individual house addressed must have a separate ledger sheet
- Engineering Design (if applicable)
- Supportive Services (if applicable)

Each ledger sheet must provide for the following:

- 1) A budgeted amount for each source of financing
- 2) A means of summarizing disbursements on a periodic basis to facilitate the comparison of actual expenditures to budgeted amounts.

Amounts budgeted for each individual housing project will generally be the amount contracted to a general contractor. If the grantee contracts with more than one contractor for an individual house, a separate column/row/ or section of the ledger sheet can be used for this purpose with a project summary provided.

Three different types of project activity ledger sheets can be found in Exhibit 31.

Program Activity Summary Sheet

The purpose of the program activity summary sheet is to provide documentation needed to report to the State, comparing amounts budgeted on the city's funding approval and requests for funds forms to the amounts provided for in each project activity ledger. Amounts expended at the bottom of each project activity ledger must be transferred to the program activity summary sheet at the end of each month. This will allow grantees to prepare RFF forms and reconcile program expenditures to the amounts on RFF forms. The format provided in Exhibit 32 would meet all of our requirements.

- ★ **Best Practice:** The program activity summary sheet should be reconciled to the RFF forms, cash control ledger, and bank statements each month. At the end of the project, the totals of the housing activities at the bottom of the activity summary sheet should match those at the bottom of the housing project log sheet (See Exhibit 1).

Cash Control Ledger

A ledger must be provided for all receipts and expenditures from the city's CDBG bank account and any escrow accounts, in which, CDBG funds are deposited. This ledger sheet may be part of the Program Activity Sheet, or may be provided on a separate sheet for each bank account. The cost control sheet in Exhibit 33 also provides for a record of the overall receipt and expenditure of private funds or other funds. Grantees may combine the cash control and program activity summary ledger sheet in a format similar to that found in the general administrative manual; however, project activity ledger sheets for each house must still be part of the record keeping system.

- ★ **Best Practice:** The cash control procedure found in the general administrative manual is not a good idea if a grantee is using an escrow account. Also, the system found in the general administrative manual has been prepared for projects with only a few contracts. If the system is used, bank accounts and RFF forms must be reconciled to the accounting system on the basis of monthly cash balances, rather than quarterly.

Explanation for the Examples provided in the Scenario for the Accounting System

The examples were designed to present different scenarios that housing grantees may find when implementing their housing rehabilitation program. Please find the following scenarios with the examples:

- ***Use of Funds from unobligated administrative balance for Emergency Assistance:*** RFF #2 requests that \$400.00 originally drawn down for administration be transferred to rehabilitation. The funds came out of an initial \$1,000 draw that was used to open the administrative account and establish a petty cash account for the grant. Please note, this is not a budget change, but merely a transfer of unobligated cash, within the \$1,000 limit, from one activity to another. Therefore, please note that the project activity sheet for administration indicates a petty cash fund within the administrative activity, with the \$400 indicated as a transfer. Also note that transfers are never brought down to the bottom of the page as expenditures. The \$400 appears under the expense for House #1, Mr. Feebles, as a transfer in with an expenditure in the form of Check number 103.
- ***Program Income:*** Program Income is identified in RFF #4 as additional cash on-hand that has been deducted from the rehabilitation activity request as indicated on the back of the RFF. The actual CDBG activity defined must be indicated by means of a re-use agreement, which in this case, would be housing rehabilitation. The project activity report for House #3, Mr. Tight, indicates that these funds were deposited in the rehabilitation activity account for this house.
- ***Housing Inspection and Risk Assessment Draws:*** Note that the project activity ledger sheets identify the specific units that were inspected. In this case, the contract for inspection and risk assessment services specified that the service be paid on a house-by-house basis. Identifying the specific units addressed provides for an accounting of funds drawn on a house-by-house basis. Additionally, note that the contract balance (funds obligated) is calculated on a house-by-house basis. The balance kept at the bottom of the page is for the entire activity, not only the contract amount.
- ***Housing Identification by RFF:*** RFFs 2, 3, and 4 specify rehabilitation costs for each specific house. Although houses may be identified in the RFF form, these funds do not necessarily need to be drawn for a specific house, although the total amount of funds drawn cannot exceed the amount under contract for all houses. For example, RFF #2 provides for a draw of \$7,000 for Unit number 2 on January 18. The project activity ledger sheet indicates that these funds were not expended until February 25, but the ledger sheet does identify the actual source of the funds. The cash control ledger indicates that the \$7,000 was escrowed, since the five-day rule would be exceeded. However, the actual money spent came from RFF number 3, since the cash control ledger indicates that

the escrow account retained the \$7,000 until the end of the month. This is allowable, along as the total amount of funds can be accounted for on a house-by-house basis with sources and uses identified on each project activity ledger sheet.

- ***Self-Help Project:*** Unit number 2 is a self-help project where the owner was the general contractor. Although the owner subcontracted some of the work, all payments were made jointly to the owner and the subcontractor and material supplier. This is not a required arrangement, but is desirable when the contractor or owner does not have the financial strength to complete the project on their own. Note that the owner was not paid CDBG funds for her own labor, but was able to use her labor as private matching funds. Also note that the owner paid for the cost of change orders. In this case, the owner had additional work, which exceeded the work necessary to bring the house to standard.
- ***Rental Rehabilitation:*** House number 3 is the rehabilitation of a rental unit. Note that the owner's required 25% match was escrowed and expended before CDBG funds. Matching funds should be expended before CDBG funds.
- ***Lead Abatement:*** House number 6 is a house that includes lead abatement activities. In RFF #6, the grantee specified that this project includes a lead abatement job as is required by DED. C & D is a licensed lead abatement contractor.
- ***Joint Project Funding:*** House number 6 is a project that includes the replacement of windows from the Community Action Program. These other agency funds are a separate contract and are reported as a separate project commitment. Note that the "contract balance" at the bottom of the page includes only CDBG funds, although total expenditures include CAP agency funds.
- ***Multiple CDBG Contracts:*** House number 7 involves a rental property owner that has chosen his general contractor and subcontractors. Since CDBG funds will directly pay each contractor separately, they are accounted for as separate contracts on the project activity ledger sheet for this house. The sum of these contracts is totaled at the bottom of the page.
- ***Ledger Sheet Reconciliation with RFF form and bank accounts:*** The balances shown in the project summary sheet should be reconciled to the RFF balances by accounting for cash retained in each CDBG funded activity. This involves taking the program balances and subtracting out CDBG funds retained in bank accounts. In this case, at the end of March, \$550 in administrative funds is found in the city's regular account (see cash control ledger) that is part of the city's initial draw to provide petty cash. Additionally, \$5,000 has been retained in the escrow account that has not yet been expended on housing rehabilitation projects. All other amounts indicated on the back of the RFF sheet match that of the Program Activity Budget Summary.
- The final balance of \$5,600 shown in the cash control ledger should equal the \$5,000 in unexpended housing rehabilitation funds in the escrow account and \$50 in interest earned on the escrow account. The regular account includes \$350 in administrative funds and 200.00 of housing rehabilitation funds that were transferred from the escrow account

before the administrator became aware of the availability of \$200 of program income in the regular account. Please note, program income funds are always expended first.

Internal Controls

It is essential that recipients establish internal controls in their financial management systems to provide effective control over and accountability for all funds, property and other assets, and to ensure that they are used for authorized purposes. Some of the points that recipients should keep in mind when establishing internal controls are listed below:

- **Financial management responsibilities should be separate so that no one person has complete control over all phases of any significant transaction.**
- Verification and reconciliation of cash balances with bank statements should be made by employees who do not handle or record cash or sign checks.
- The City Council/County Commission, through their normal “bill-paying” procedures, should approve all CDBG expenditures prior to paying any contractor.

Steps for Establishing a CDBG Financial Management System

Establishing and maintaining the CDBG financial management system will require recipients to:

- 1) Review 24 CFR 85, (subpart C, in particular) and OMB Circular A-87;
- 2) Decide which accounting system to use and notify DED of this decision on the Authorized Signature Form;
- 3) Organize the accounting records including: the project activity ledger, program summary ledger, Cash Control ledger, and documentation of all matching funds;
- 4) Use the CDBG eligible activity codes on all grant records as designated on the funding approval;
- 5) Establish a project activity ledger account for each project activity, each contract, house, etc;
- 6) Establish a program activity summary sheet indicating amounts expended and remaining under each activity listed on the funding approval;
- 7) Establish a cash control ledger for each bank account being used for the project;
- 8) Record all CDBG financial transactions on the appropriate journal or ledger;
- 9) Record total dollars expended for houses completed in the project log sheet described in Chapter I, Exhibit I;
- 10) Establish internal controls in the financial management system; and,
- 11) Establish and maintain financial management files.

DED FINANCIAL MANAGEMENT REPORTING

The Request for Funds Form (RFF) described in detail earlier in this chapter, provides DED with frequent financial management information that is useful in monitoring grantees' projects and updating DED's records. Aside from informing DED of the amount of funds being requested, the form indicates the amount of cash that recipients are keeping on hand, payments over \$1,000 or more, program income received to date, and the total amount of CDBG funds remaining in the project.

It is important that the Budget Status Report (reverse side of RFF) reflect the actual expenditures in each line item. As stated previously, monies may not be transferred between activity line items that exceed 10% of the total grant award or \$10,000, whichever is less, without prior approval by DED through the amendment process. Grantees cannot exceed the amounts awarded in the administration, engineering (design and inspection), other professional services, or legal line items without prior DED approval through the grant amendment process. The Budget Status Report is an important tracking tool for DED.

PROGRAM INCOME

In general, program income is defined as those revenues earned or received by the CDBG recipient as the direct result of the project's grant activities. For example, if a CDBG recipient has a housing rehabilitation program, the receipt of payment on the principal as well as any earned interest on the loan is considered to be program income. In addition to this form of program income, other specific forms of program income include:

- the proportional share of proceeds from the disposition of real property to the extent to which the property was purchased with CDBG monies. For example, if CDBG monies were used to pay ninety percent of the acquisition cost of a parcel, ninety percent of the sale price of the property would be considered CDBG program income if the property was sold);
- the share of proceeds from special assessments levied to cover the cost of constructing a public work or facility proportional to the percent of CDBG monies used for construction;
- the interest earned from the investment of program income; and
- the payments of principal and/or interest on loans made with CDBG monies.

NOTE: All bank accounts receiving grant monies from the State must be non-interest bearing. Any interest so earned will be returned to HUD. However, escrow account must be interest bearing.

Program income must be identified clearly in the recipient's accounting system. If a grantee is running a housing rehabilitation loan program where many owners will be making payments on loans, a ledger sheet is required to list the loan balances outstanding for each house and the amount being repaid for each house. Amounts should be totaled at least once per month. Twice

per year, grantees must report on the receipt and expenditure of program income using the form in Exhibit 34.

DED may, at its discretion, require CDBG recipients to return program income to the State, unless the grantee has an approved reuse program. When recipients do retain program income, they must disburse program income prior to requisitioning additional monies from DED to finance approved community development activities. For proceeds derived from the sale of real property acquired with CDBG monies, program income shall be used for community development activities within the general purposes of the Housing and Community Development Act of 1974. However, the CDBG recipient must obtain prior DED approval to use program income in this manner.

For program income to be received after grant closeout, recipients must consult with DED. At its discretion, DED may require that such program income be returned to the State, or allow it to be used by the recipient in other community development activities. A re-use plan for program income must be submitted to DED prior to grant closeout.

It may be necessary to undertake an environmental review for any new CDBG activities that are funded with program income.

Steps

- 1) Identify those activities that are likely to produce program income.
- 2) Review 24 CFR 85.25 and DED procedures regarding the use of program income.
- 3) Upon receipt of program income, record in the Cash Control/Program Activity Ledger indicating source and date and amount received.
- 4) Obtain DED approval for applying program income to any new or existing community development activity.
- 5) For program income derived from a revolving loan fund, grantees must request DED's approval of their disposition of program income at grant closeout.
- 6) After obtaining DED's approval of program income to a CDBG eligible activity, make the appropriate journal entry to your accounting records.

LOCAL AND OTHER AGENCY MATCH

A primary consideration in the review of CDBG applications is the amount of local and other agency cash and in-kind resources proposed for the project. The Funding Approval form (part of the Grant Agreement) specifies the amount of resources that the grantee has committed to the project. DED requires that local cash be spent first prior to the use of CDBG funds, unless it is not possible or feasible to do so. If local funds cannot be used first, indicate the reason for this in a memo to the project files.

Local Cash Recordkeeping: The minimum records to maintain regarding local cash is the date, amount, and purpose of each check written from local funds toward the project. It is

recommended that local funds are not mixed with CDBG funds in the accounting system or in the grantees bank account. However, if used as a source of funds for an individual activity, they should be mentioned in the project activity ledger sheets and summarized as a separate account.

Other Agency Recordkeeping: Funds from other agencies are subject to the same audit requirements as CDBG funds. Recordkeeping is to be maintained in accordance with other agency requirements and should be accessible for DED review.

In-Kind (Force-Account) Recordkeeping: This includes non-cash actions such as using the grantee's employees to perform work on the project or to use construction materials from the grantee's stockpile. All force account work that is paid for with CDBG funds or counted toward local match must be documented with time sheets.

Private Owners Funds: Funds from private owners used for housing activities must be documented. In those cases where private matching funds are required for rental properties in the funding approval, documentation should be provided on each individual project activity sheet as budgeted items. Where private matching is not required, but where the city desires to document private match to meet an overall matching funds goal, the grantee may keep a separate ledger sheet identifying these sources. In all cases, a summary of private funds expended on each house must be documented in the city project log sheet (See Exhibit 1). In-kind private matching funds must include the same documentation as that required for grantee in-kind matching funds.

CONTRACT OR FUNDING APPROVAL AMENDMENT

A contract amendment must be submitted in triplicate, all original signatures, under the following conditions:

- 1) Change of more than 10% of grant award or \$10,000, whichever is less in any line item of CDBG monies on the Funding Approval other than professional services;
- 2) Transfer of any funds to any professional services line item;
- 3) Request for grant increase;
- 4) Deobligation of leftover monies.

For any change of scope of the activities which does not involve budget items or which involves other agencies' or local funds, a letter signed by the city/county official requesting the change may be used instead of the grant amendment form.

STATE OF MISSOURI
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
CONTRACT AMENDMENT/REQUEST #

Grantee Name _____ Project Number _____

Street or Box Number _____ City _____ State _____ Zip _____

Date of Request _____ Contract Award Date _____

NOTE: IN THE FOLLOWING, ENTER EACH CDBG LINE ITEM, WHETHER CHANGED OR NOT. ENTER ONLY CDBG LINE ITEMS.

ACTIVITY		Existing Budget	Revised Budget Request	Amount Increase/Decrease	% Change
No.	Title				
Totals					

Explanation of Request:

This amendment shall be effective on _____, 20____. All other terms and conditions of the contract, or any amendments thereto, shall remain unchanged. IN WITNESS WHEREOF, the parties hereto execute this agreement.

City/County Name

COMMUNITY DEVELOPMENT

Typed Authorized Signature

Sallie Hemenway, Director

Authorized Signature

Date

Title

Date

INSTRUCTIONS: SUBMIT THREE (3) ORIGINALLY-SIGNED COPIES TO DED

Revised 07/28/04

STATE OF MISSOURI
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
CONTRACT AMENDMENT/REQUEST # 1